One Island Community
One Island Future

Budget Highlights 2008

Presented by
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Provincial Treasurer
and Chair of Treasury Board

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Prince Edward Island

Budget Highlights 2008-2009

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Priorities

- A sustainable health care system that places the interests of individual Islanders above all other considerations;
- An education system that invests in Islanders by offering them better access to high quality programs;
- An economic strategy that blends our traditional industries with new opportunities;
- Environmental stewardship that protects and promotes our natural heritage; and
- An understanding that Government must constantly seek to improve the way that it delivers services and programs to all Islanders.

Government will build on our record of change and continue to emphasize its central and guiding theme: Our best investment is in our people.

Hon. Wesley J. Sheridan
Provincial Treasurer

Prince Edward Island
CANADA

Budget Summary

	2008-2009 Estimate ($ millions)	2007-2008 Forecast ($ millions)	2007-2008 Estimate ($ millions)
Revenue:			
Provincial Own Sources	771.4	726.3	714.8
Federal Sources	556.4	516.1	517.5
Sinking Fund Earnings	16.5	16.8	19.0
Net Consolidated Surplus of Crown Corporations	8.1	7.4	5.5
Total Revenue	**1,352.4**	**1,266.6**	**1,256.8**
Expenditure:			
Program Expenditures	1,229.1	1,148.2	1,139.1
Interest Charges on Debt	117.3	116.3	121.2
Operating Expenditure	1,346.4	1,264.5	1,260.3
Depreciation Expense	40.9	38.7	38.8
Total Expenditure	**1,387.3**	**1,303.2**	**1,299.1**
Consolidated Surplus (Deficit)	(34.9)	(36.6)	(42.3)

Forecast 2007-2008

The Province is forecasting a consolidated deficit of $36.6 million as compared to its original Budget Estimate of a $42.3 million deficit.

Total Revenue is up $9.8 million, which results primarily from an increase in Provincial Own Source Revenues.

Total Expenditure is up $4.1 million, which represents less than a one half of one per cent increase over the original 2007-2008 budgeted expenditures.

Estimates 2008-2009

The Budget Estimates for 2008-2009 project a consolidated deficit of $34.9 million.

Total Revenue for 2008-2009 is projected to increase by $85.8 million from the forecasted 2007-2008 Revenue. Provincial Own Source Revenues are up by $45.1 million, Federal Source Revenues are up $40.3 million, while Net Consolidated Surplus of Crown Corporations is up $0.7 million.

Total Expenditure for 2008-2009 is projected to be $84.1 million more than recorded in the 2007-2008 Budget Forecast.

Highlights of the Provincial Economy

- The P.E.I. economy grew at 1.8% in 2007, and is expected to grow at 1.9% in 2008.

- Employment on P.E.I. grew by 1.0% during 2007 to average 69,300 people.

- The unemployment rate averaged 10.3% for 2007, a 29-year low.

- In March 2008, employment on P.E.I. reached 71,000 people, an all-time high.

- Labour income was 5.2% higher relative to the same period in 2006.

- The value of retail spending was up 8.2% in 2007 to total $1.6 billion.

- Total public and private capital investment in P.E.I. reached $943.7 million in 2007, up 14.1% from 2006 levels.

- The housing sector on P.E.I. had 1.6% more starts in 2007 than in 2006.

Tax Measures

During the last year, gasoline taxes were reduced by 4.4 cents per litre. This investment resulted in $6.6 million in savings for Islanders in the 2007-2008 fiscal year. This reduction will be continued into 2008-2009, and it is estimated the reduction will leave $8.8 million in Islanders' hands.

The freeze on the owner-occupied component of residential property assessments will be of significant financial benefit to residential property owners across the Island.

Islanders are also enjoying an increase to the basic personal tax credit they can claim. In 2006, it was $7,412. For the 2007 tax year, it was increased to $7,560 and will increase again for the 2008 tax year to $7,708. Income tax brackets were increased by 2% in 2007 and will be increased by 4% in 2008 as compared to 2006 levels.

Both full-time and part-time students were able to benefit from the doubling of the education amount on their personal income tax return.

Islanders are now able to split pension income with their spouse, which offers some additional tax relief. This initiative was introduced by the Federal Government and subsequently adopted by the Provincial Government.

Tax Measures (continued)

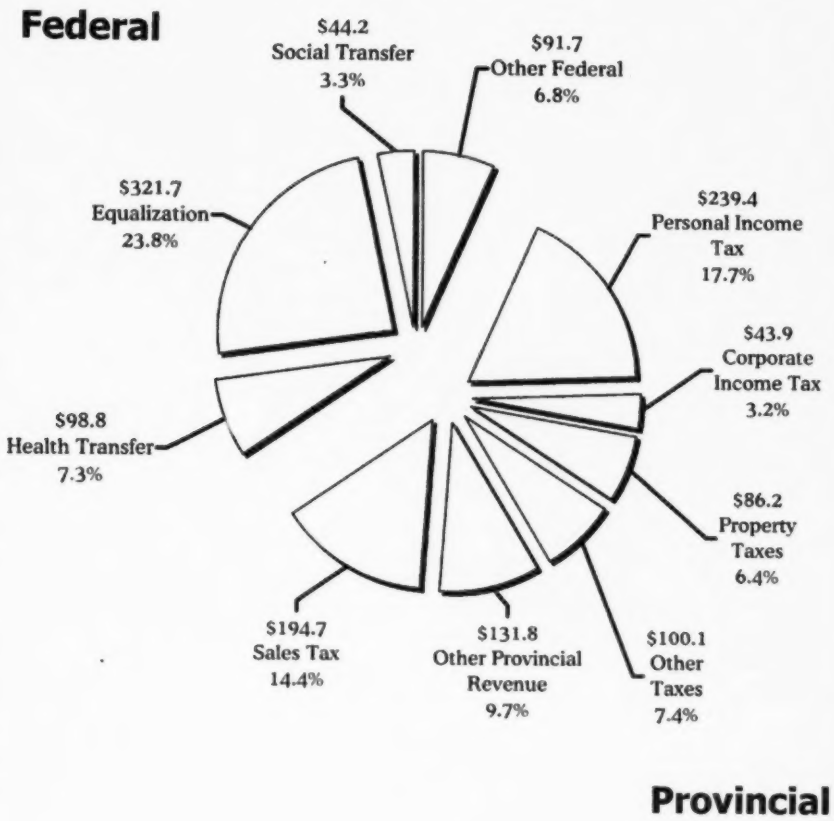
Farmers, fishermen and small business owners saw significant tax savings as a result of the Province increasing the lifetime capital gains exemption from $500,000 to $750,000.

There was also increased support to Islanders with disabilities and their families. The maximum Provincial Disability Amount and the Disability Supplement have both increased.

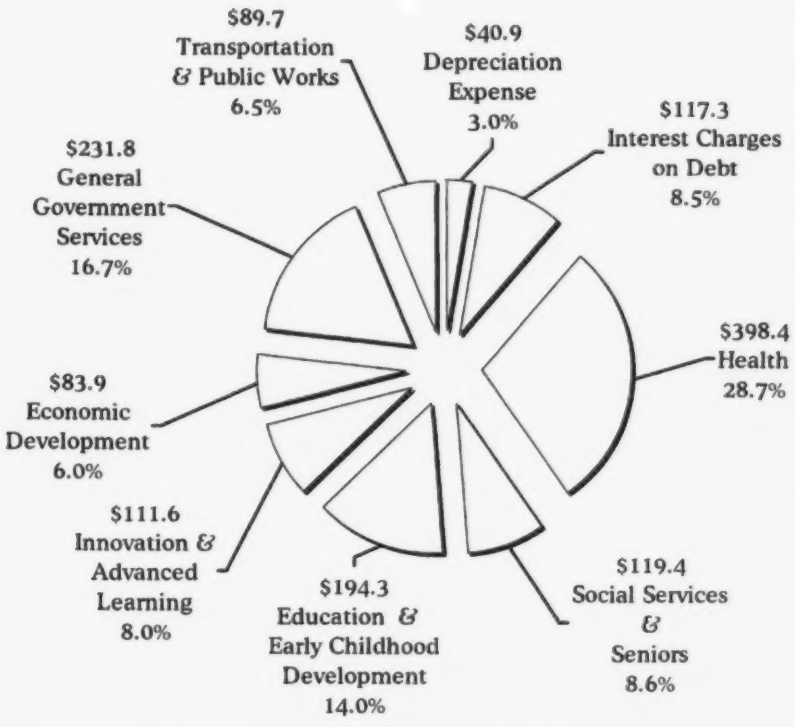
Government is continuing toward lowering the small business tax rate. It was once at 7.5%. It went down to 4.3% in 2007 and went down to 3.2% on April 1, 2008. This will be followed by a 1.1% drop next year until reaching a 1% tax rate in 2010.

These reductions in corporate tax will be complemented by a thorough review of Government's regulatory regime, which will allow the private sector to more easily interact with Government. This "Red Tape" Review will be undertaken with input and guidance from the Island's business community.

2008-2009 Revenues
Where the Money Comes From
($ millions)



2008-2009 Expenditures
Where the Money Goes
($ millions)



Health and Well-Being of Islanders

- This Budget represents a further $21.6 million invested into our provincial health care system.
- An additional $2.3 million will be spent on new physicians coming to the Island to practice.
- A full Family Medicine Residency Program will start in 2009 with an anticipated budget of $1.2 million in its first year.
- A pilot Residency Program will begin this year with an initial cost of $220,000.
- An investment of $356,000 to improve training capacity with an Accelerated Nursing Program at UPEI.
- An additional $192,000 will help integrate Nurse Practitioners into the health care system. This includes a position at the Cancer Treatment Centre.
- Diabetic strips for insulin-dependent Islanders will be covered as a public service. This represents an investment of $1.5 million this year.
- A $2 million dollar investment will be made in P.E.I.'s Cancer Strategy, including establishment of a Colorectal Cancer Screening Program, additional funding for mammography screening, a new pilot program to provide palliative care at home and an increase in the cancer medication budget.
- An investment of $835,000 will purchase state-of-the-art digital mammography equipment.

- Government will spend a further $2 million to reduce wait times in radiation therapy, sight restoration, diagnostic imaging and joint replacements.
- Air Ambulance Transfer fees for Islanders will be eliminated and ground ambulance services for Islanders going out of the Province will be covered.
- Government will spend $17.7 million over the next year on modernizing hospitals, manors and other facilities.

Investing in Island Education

- An investment of $2 million this year ensures every first-year Island student entering a provincially-funded post-secondary institution, to attain a degree or diploma, will receive up to $2,000 from the George Coles Bursary.
- A further $2 million will be invested in initiatives associated with the Task Force on Student Achievement, bringing total spending in this area to $5 million in this fiscal year. This includes literacy programs and assistance totaling $752,000.
- Special education funding, including psychologists, is increased by $540,000.
- Government will begin the process of eliminating curriculum-based user fees through a $100,000 investment.

- New funding of $100,000 will support school breakfast programs across the Island.
- The Best Start Program will see an increase of $219,000. The program will be expanded to assist families with children up to two years of age.
- An additional $389,500 will go to fund child care maintenance and child care special needs as part of the Early Learning and Child Care Action Plan.
- New funding for the P.E.I. Volunteers for Literacy will support the Let Older Volunteers Educate initiative.

Environment

- There will be $750,000 in new spending on the Alternate Land Use Services (ALUS) initiative to reward landowners and producers who implement sustainable land management practices that go beyond regulatory requirements.
- New funding for the Province's Watershed Management Program will bring the program to $520,000 this year.
- Revenue from the introduction of canned beverages and the deposit system will see an additional $1 million for environmental initiatives.

Agriculture

- A new Buy Local Initiative, with an annual allocation of $500,000 will increase public awareness, support and demand for locally-grown and processed foods.
- A new Sustainable Diversification Initiative will be unveiled to assist the agriculture sector to take a more strategic approach.
- An investment of $200,000 will establish the Agriculture Innovation Fund, which will assist and encourage farmers to pursue product diversification and value-added technologies.
- An Agriculture Research Fund, with an allocation of $200,000 per year for three years, will support applied and developmental research.
- A new Agri-Insurance Program will expand to include livestock producers and enhance the level of business risk management support offered under previous programs.
- The Future Farmer Program will get an increase in funding, bringing it to $700,000, to assist and encourage new farmers to enter the industry.
- Phase Three of the Hog Transition Program, with a budget of $1.4 million, will provide assistance to hog producers looking to transition to a new business model.

Fisheries

- Government is proceeding with a four-year Lobster Initiative to address issues facing the sector and explore opportunities for further growth. This Initiative will dedicate an additional $100,000 in programs for the lobster industry.
- Government will work in cooperation with its federal counterparts to develop a Mussel Aquaculture Productivity Improvement Fund with the P.E.I. Aquaculture Alliance.
- An investment of $100,000 will go toward the Oyster Development Program which will expand the Oyster Enhancement Program carried out by the P.E.I. Shellfish Association, create a new Quality Oyster Aquaculture Program and sponsor projects to upgrade access for oyster fishers and growers.

Investing in Communities and Infrastructure

- An investment of $2.5 million each year will fund initiatives designed to strengthen municipalities. These include:
  - Ceasing the practice of clawing back money from municipalities through administration fees;
  - Making property tax payments to municipalities on a monthly basis instead of three times a year; and

- A fully funded equalization program that will ensure fairness to communities across P.E.I.

- Government will invest in the Rural Broadband Initiative.
- An investment of $1 million in the Integrated Tourism Solution project will lead to a centralized reservations system and data collection program.
- The Island Community Fund will be established to facilitate local infrastructure needs. It will receive $2.5 million in the current fiscal year and will grow to $5 million annually.
- The Island Community Fund will be used to help finance a new parking garage in downtown Charlottetown which will help spur a multi-million dollar redevelopment in the downtown core.
- Government will make investments of $31.6 million in roads and highway infrastructure. This represents the single largest one-year investment in highway infrastructure over the last decade.

Revenue

- Government will increase the cost of a carton of cigarettes by five dollars. This measure will see an increase in revenue of $3.5 million which will be devoted to services like education and health care.

Summary Statistics

	2006	2007
Population on 1 July (thousands)*	138.0	138.6
Personal Income per capita* ($) *As % of Canadian personal* income	26,920 *80.7*	28,419[1] *80.6*
Employment (thousands)*	68.6	69.3
Unemployment Rate - P.E.I. (%) *Unemployment Rate - Canada (%)*	11.0 *6.3*	10.3 *6.0*
CPI Annual Change - P.E.I. (%) *CPI Annual Change - Canada (%)*	2.2 *2.0*	1.8 *2.2*
Retail Trade ($ millions)*	1,481.3	1,602.6
New Motor Vehicle Sales (units)	4,933	5,303
Farm Cash Receipts ($ millions)*	377.7	364.9
Potato Receipts ($ millions)*	202.9	180.6
Lobster Landings ($ millions) *Lobster Landings (lbs - millions)*	113.4 *21.5*	108.6 *20.1*
Housing Starts (units)	738	750
Investment ($ millions)*	827.3	943.7
Manufacturing Shipments ($ millions)*	1,490.0	1,430.7
International Exports of Goods ($ millions)*	786.6	767
GDP at Market Prices ($ millions)*	4,304	4,526[1]

* Revised Data

[1] Conference Board of Canada forecast

Sources: Statistics Canada; Conference Board of Canada and PEI Department of Fisheries, Aquaculture, and Rural Development.